

Chance to Move On: make Universal Credit fair for young people living independently



Universal Credit should provide a safety net for everyone. Yet the UC system unfairly assumes that all under-25s can rely on family for financial support. This is not the case for many young people living independently who cannot live safely at home, particularly those who have been in care or experienced homelessness.

Over-25s can claim up to 20 per cent more UC standard allowance for living costs. Meanwhile, under-25s living independently receive a reduced rate, despite having the same living costs. This can leave them forced to choose between either paying the bills or putting food on the table and it increases their risk of homelessness.

Policy Ask

Centrepoint is calling on the Government to:

- **Raise the Universal Credit standard allowance for under-25s** living independently to match the amount over-25s receive.
- **Immediately bring forward government policy to raise the Local Housing Allowance (LHA)** for homeless young people and care leavers, as announced in the Budget 2020.

Why the Government must act urgently...

1. **Young workers have been hit hardest by COVID-19.** Compared to other employees, under-25s are two and half times more likely to work in a sector that closed due to COVID-19.¹ For many this means losing their only source of income.
2. **Young people living independently cannot afford basic living costs.** An estimated 350,000 young claimants live independently.² Due to their age, they receive a reduced rate of Universal Credit for living costs like food and bills.
3. **Young people need food, clothes and hygiene products in order to stay fit for work.** Young people can play an essential role in the UK's economic recovery, if they are able to afford basic living costs while looking for a stable job.

Case Study

Liam is aged 23, having grown up in care he now lives independently in Oldham. Liam lost his job in a café that closed due to COVID-19. He claims Universal Credit (UC) standard allowance for living costs and receives £343 per month. Once rent and bills are paid, he has **£24.50 each week** for food and essentials.

Liam's Monthly Budget:

| Living cost | Monthly expense | Remaining UC |
|--|-----------------|--------------|
| Rent top up (due to reduced LHA) | - £110 | £233 |
| UC advance repayment | - £28.50 | £204.50 |
| Council tax | - £48 | £156.50 |
| Gas, electric and water | - £30 | £126.50 |
| Phone contract | - £20 | £106.50 |
| Remaining budget for food, clothes and other basic needs: £24.50 per week | | |

¹ Institute for Fiscal Studies, *Sector shutdowns during the coronavirus crisis: which workers are most exposed?* (April 2020)

² Social Security Advisory Committee, *Occasional Paper 20: Young People Living Independently* (May 2018)

How much would it cost to raise the Universal Credit standard allowance for under-25s living independently?

The Government has spent £6.5 billion on a package of welfare measures in response to COVID-19. Centrepont estimates that a small fraction on this money would be needed to raise the Universal Credit standard allowance for under-25s living independently, a total of £282 million per year.

This is a maximum costing based on the assumption that all under-25s living independently are single. However as some will claim as a couple, the difference between the over-25 rate and under-25 rate for couples is considerably less, reducing the overall cost.

| Number of young claimants living independently* | UC standard allowance for single under-25s (per annum) | UC standard allowance for single over-25s (per annum) | Difference between allowance for under-25s and over-25s (per annum)** | Estimated cost of raising allowance for under-25s living independently to match allowance for over-25s (per annum) |
|--|--|---|---|--|
| 350,000 | £4,112.64 | £4918.68 | £806.04 | £282,114,000 |
| *Estimate from Social Security Advisory Committee " Young People Living Independently " (2018) **Based on 2020/21 standard allowance rates. | | | | |

Case for Change

Raising the Universal Credit standard allowance for under-25s living independently.

This will make a significant difference to those struggling to cover the cost of living. For young people unable to rely on family for financial support, this could be the difference between making ends meet and becoming homeless.

Matching the Universal Credit standard allowance for under-25s living independently with the amount over-25s receive.

This will support young people who have lost their only source of income due to COVID-19 and still need to cover basic living costs.

Young people receive a reduced rate for both living and rent costs. This requires them to dip into money intended for food and bills in order to cover rent. In the Budget 2020, the Government committed to raising the Local Housing Allowance for homeless young people and care leavers by 2023, this policy should be introduced immediately.

What young people say

"It was either pay full rent or have enough food for the end of the month. It's a horrible situation to be in and no young person should be in that situation." Jessie.

"Honestly, I am on the bones, I've had nothing for months. Universal Credit doesn't go far enough when you've got bills to pay and need to eat and get around." Owen.

"For me it was a make ends meet thing... and when you borrow from certain people, not everyone's got a good heart or good intentions. People can be violent. They can put that kind of fear in you." Courtney.

Quotes from Centrepont's policy reports *Chance to Move On* (2018) and *Escaping the Trap* (2019).

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